

**REVENUE IMPACT OF  
PROPOSED LEGISLATION**  
82nd Oregon Legislative Assembly  
2023 Regular Session  
Legislative Revenue Office

**Bill Number:** HB 2071 - 5  
**Revenue Area:** Income Tax  
**Economist:** Kyle Easton  
**Date:** 6/8/2023

*Only Impacts on Original or Engrossed  
Versions are Considered Official*

**Measure Description:**

This measure extends, modifies, and creates tax expenditures. See impact explanation for description of individual policies.

**Revenue Impact (in \$Millions):**

Policy	Biennium		
	2023-25	2025-27	2027-29
Fish Screening Devices Credit	< 50K	< 50K	< 50K
Affordable Housing Lender Credit	< 50K	-\$1.0	-\$4.4
Agriculture Workforce Housing Credit	\$0.0	-\$0.8	-\$4.2
Active Service/Duty Pay of National Guard Subtraction	-\$0.3	-\$0.3	-\$0.3
Reorganization of Sunset Dates of Credits	-\$0.0	-\$30.3	-\$60.3
Retention of Publicly Supported Housing Credit	See Impact Analysis		
<b>Total General Fund</b>	<b>-\$0.3</b>	<b>-\$32.4</b>	<b>-\$69.2</b>

**Description of Individual Provisions & Impact Explanation:**

**Sunset extensions (sunset extensions of existing tax credits)**

Fish screening devices credit

Extends sunset of tax credit available to taxpayers for installing a fish screening device, bypass device, or fishway from January 1, 2024, to January 1, 2030. The tax credit is 50 percent of the certified cost of installing the device, up to \$5,000 per device. In the previous five years, the number of taxpayers claiming the credit has averaged fewer than ten per year and the amount of the credit used to reduce tax liability has averaged less than \$50,000 per year.

Agriculture workforce housing credit

Extends sunset of agriculture workforce housing construction tax credit from January 1, 2026, to January 1, 2032. The credit sunset is applicable to housing projects completed in tax years beginning on or after January 1, 2026, whereas previously completed and qualified projects may continue to claim the credit. The credit is fifty percent of the eligible costs of a qualified housing project. The credit can be taken over ten years, with a maximum allowable credit claimed in any one tax year limited to 20% of the total credit amount. Because the current law sunset date occurs during the 2025-27 biennium and the credit is claimed over multiple years, the revenue loss estimate reflects increased loss in future biennia. Estimate is based on a historical analysis of credit

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use and the potential construction, rehabilitation, or acquisition of agriculture workforce housing in Oregon.

#### Reorganization of sunset dates of existing tax credits

The sunsets for the Cultural Trust contribution, political contribution, and volunteer rural emergency medical services providers tax credits are moved from January 1, 2026 to January 1, 2028. The sunsets for the employer-provided scholarship, contribution to 529 education or ABLE (Achieving a Better Life) accounts, and short-line railroad tax credits are moved from January 1, 2026, to January 1, 2030. The sunsets for the reservation enterprise zone, Public University Development Fund contribution, and Individual Development Account contribution tax credits are moved from January 1, 2028, to January 1, 2030. The estimated revenue impact is based on historical use of these tax credits and current projections for the use in the coming years. Roughly two-thirds of the impact is attributable to the tax credit for contributions to 529 education savings account.

#### **Sunset extensions and/or expansion of existing tax expenditures**

##### Affordable housing lender tax credit

Corporations that make qualified loans at below market interest rates for eligible housing projects are allowed a tax credit equal to the difference between the finance charge on the loan and the finance charge that would have

been imposed if the loan were issued at market interest rates, up to a difference of four percentage points. Measure extends sunset of tax credit for affordable housing lenders from January 1, 2026, to January 1, 2032, and expands purposes for which qualified borrower may use loan proceeds to include limited equity cooperatives, with certain conditions. Expansion applies to tax years beginning on or after January 1, 2024.

As the existing sunset date of the credit occurs within the 2025-27 biennium, no impact exists for the 2023-25 biennium from extending the sunset of the underlying credit and impact from expanding credit qualification to limited equity cooperative housing is initially expected to be less than \$50,000. Estimated loss in revenue increases in the 2027-29 biennium reflective of more loans being initially qualified following the January 1, 2026, sunset date extension and the credit expansion. Revenue impact estimate assumes a small number of limited equity cooperative housing projects qualify each year for the credit. The long time horizon of the credit (20-30 years) causes the revenue impact to be initially smaller than later years, reflective of additional properties qualifying in later years.

##### Active service/duty pay of Oregon National Guard subtraction

Expands Oregon income tax subtraction for military pay by allowing subtraction for military pay received by an Oregon National Guard member while in active service of the state or on state active duty. Applies to tax years beginning on or after January 1, 2021. In addition to specific military pay being subtracted, Oregon's existing law military pay subtraction allows up to \$6,000 in military pay to be subtracted from income. From a revenue impact perspective, this existing law subtraction is expected to lessen the incremental loss in revenue from the National Guard subtraction as such income may already be subtracted. Revenue impact estimate was made through an analysis of aggregate National Guard payroll data and tax return and wage data. National Guard Active Service and Active Duty pay can vary considerably from year to year depending on member activations.

#### **New tax credit**

##### Retention of publicly supported housing

Creates personal and corporate income tax credit available to taxpayers selling publicly supported housing to purchaser that enters into recorded affordability restriction agreement for a period of at least 30 years. Specifies

credit amount equal to 2.5 percent of the lesser of sale price or property appraisal if taxpayer owned property for at least five years. Specifies credit equal to 5 percent if taxpayer owned property for at least ten years. Allows unused credit amounts to be carried forward for three succeeding tax years. Requires taxpayer to first receive credit certification from Oregon Housing and Community Services Department (OHCS). Limits certification of credits to no more than three million per calendar year. Applies to tax years beginning on or after January 1, 2024, and before January 1, 2030.

Tracking by OHCS identifies about a dozen properties that are for profit owned and have their affordability restrictions expiring in the coming three years. These for profit owned properties represent the likely pool of properties that the credit is designed to incentivize the sale of to buyers that will continue operating under an affordability restriction. Recent data is limited and therefore does not allow for a baseline of potential credit use to be developed. Potential value of the credit depends on length of ownership and appraised value or sale price of the property. Analysis of near term potentially qualifying properties suggests value of credit may range from \$100,000 to nearly \$1M for individual properties.

**Creates, Extends, or Expands Tax Expenditure: Yes  No**

#### **Fish screening devices**

The policy purpose of this credit is to support fish protection, production, and population connectivity of native migratory fish thereby supporting the restoration of Oregon’s native salmonid populations.

#### **Agriculture workforce housing**

The policy purpose of this credit is to provide support for the construction or rehabilitation of agriculture workforce housing, thereby supporting the goal of ensuring adequate agricultural labor housing through a collaboration of the public, private, and nonprofit sectors.

#### **Affordable housing lender**

The policy purpose of the credit expansion is to support the development of affordable housing using the limited equity cooperative model thereby creating an accessible pathway to home ownership for households of more modest income.

The policy purpose of this credit is to support the development of housing affordable to households with incomes up to 80 percent of area median income, the preservation of housing with federal rent subsidy contracts, and the preservation of manufactured dwelling parks.

#### **Active Service/Duty pay of National Guard**

The policy purpose of this subtraction expansion is to support the recruitment and retention of National Guard members and to provide tax relief in recognition of the service of such individuals.

#### **Retention of publicly supported housing**

The policy purpose of this credit is to incentivize owners of affordable housing, in which affordability restrictions are nearing expiration, to sell such housing to a buyer willing to preserve affordable housing for an additional thirty years.

#### **Reorganization of sunset dates of existing tax credits**

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The policy purpose of this measure is to distribute the revenue impacts of existing tax credits more evenly across the six-year review cycle.